



JOHN CHIANG
California State Controller

December 9, 2013

Debra Kubin, Superintendent
Ukiah Unified School District
925 N. State Street
Ukiah, CA 95482

Dear Ms. Kubin:

The State Controller's Office reviewed the costs claimed by the Ukiah Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2008, through June 30, 2012. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that direct and indirect costs were properly reported in accordance with program requirements.

The district claimed \$364,249 for the mandated program. Our review found that \$322,192 is allowable and \$42,057 is unallowable. The costs are unallowable because the district did not report any Winton Act base-year costs and did not claim indirect costs on contract services, as described in the attached Summary of Program Costs and the Findings and Recommendations. The State paid the district \$13,524. The State will pay allowable costs claimed that exceed the amount paid, totaling \$308,668, contingent upon available appropriations.

We informed Sandra Harrington, Chief Business Official, of the review findings via email on November 13, 2013. We did not receive a response from the district.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

Attachments

RE: S14-MCC-930

cc: Sandra Harrington, Chief Business Official
Ukiah Unified School District
Lynn Adams, Accounting Technician III
Ukiah Unified School District
Michael Savoca, Accounting Technician III
Ukiah Unified School District
Paul Tichinin, County Superintendent of Schools
Mendocino County Office of Education
Scott Hannan, Director, School Fiscal Services Division
California Department of Education
Carol Bingham, Director, Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2008, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 34,046	\$ 34,046	\$ —	
Contract services	15,167	15,167	—	
Subtotal	49,213	49,213	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(10,191)	(10,191)	Finding 1
Increased direct costs, G1 through G3	49,213	39,022	(10,191)	
Component activities G4 through G7:				
Salaries and benefits	9,294	9,294	—	
Contract services	830	830	—	
Increased direct costs, G4 through G7	10,124	10,124	—	
Total increased direct costs, G1 through G7	59,337	49,146	(10,191)	
Indirect costs	2,444	2,772	328	Findings 1, 2
Total program costs	<u>\$ 61,781</u>	51,918	<u>\$ (9,863)</u>	
Less amount paid by the State		(7,651)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 44,267</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 38,691	\$ 38,691	\$ —	
Contract services	16,983	16,983	—	
Subtotal	55,674	55,674	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(10,304)	(10,304)	Finding 1
Increased direct costs, G1 through G3	55,674	45,370	(10,304)	
Component activities G4 through G7:				
Salaries and benefits	6,428	6,428	—	
Contract services	10,341	10,341	—	
Increased direct costs, G4 through G7	16,769	16,769	—	
Total increased direct costs, G1 through G7	72,443	62,139	(10,304)	
Indirect costs	2,585	3,561	976	Findings 1, 2
Total program costs	<u>\$ 75,028</u>	65,700	<u>\$ (9,328)</u>	
Less amount paid by the State		(5,873)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 59,827</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 32,048	\$ 32,048	\$ —	
Contract services	22,868	22,868	—	
Subtotal	54,916	54,916	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(10,545)	(10,545)	Finding 1
Increased direct costs, G1 through G3	54,916	44,371	(10,545)	
Component activities G4 through G7:				
Salaries and benefits	12,672	12,672	—	
Contract services	29,836	29,836	—	
Increased direct costs, G4 through G7	42,508	42,508	—	
Total increased direct costs, G1 through G7	97,424	86,879	(10,545)	
Indirect costs	5,699	5,083	(616)	Finding 1
Total program costs	<u>\$ 103,123</u>	91,962	<u>\$ (11,161)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 91,962</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 37,325	\$ 37,325	\$ —	
Contract services	42,204	42,204	—	
Subtotal	79,529	79,529	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(10,902)	(10,902)	Finding 1
Increased direct costs, G1 through G3	79,529	68,627	(10,902)	
Component activities G4 through G7:				
Salaries and benefits	6,261	6,261	—	
Contract services	29,994	29,994	—	
Increased direct costs, G4 through G7	36,255	36,255	—	
Total increased direct costs, G1 through G7	115,784	104,882	(10,902)	
Indirect costs	8,533	7,730	(803)	Finding 1
Total program costs	<u>\$ 124,317</u>	112,612	<u>\$ (11,705)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,612</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>Summary: July 1, 2008, through June 30, 2012</u>				
Total increased direct costs, G1 through G7	\$ 344,988	\$ 303,046	\$ (41,942)	
Indirect costs	19,261	19,146	(115)	
Total program costs	<u>\$ 364,249</u>	322,192	<u>\$ (42,057)</u>	
Less amount paid by the State		<u>(13,524)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 308,668</u>		

¹ See Attachment 2, Findings and Recommendations.

Attachment 2— Findings and Recommendations July 1, 2008, through June 30, 2012

BACKGROUND

The current findings are the result of our review of the mandated cost claims filed for the legislatively mandated Collective Bargaining Program for the period of July 1, 2008, through June 30, 2012.

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Rodda Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives related to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5; this section requires school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding. On August 20, 1998, the CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year [FY] 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on October 22, 1980, and amended them ten times, most recently on January 29, 2010.

In compliance with Government Code section 17558, the State Controller's Office (SCO) issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

**FINDING 1—
Unreported Winton Act
base-year costs, and
related indirect costs**

The district did not report any Winton Act direct costs on its mandated cost claims for FY 2008-09 through FY 2011-12. Specifically, the district did not offset the Winton Act base-year costs against the current-year Rodda Act costs for components G1 through G3, thus understating the Winton Act base-year costs by \$41,942 for the review period. Unallowable related indirect costs total \$2,584.

The following table summarizes the unreported Winton Act base-year cost adjustment by fiscal year:

	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Winton Act base-year costs, FY 1995-96	\$ (2,301)	\$ (2,301)	\$ (2,301)	\$ (2,301)	
Implicit price deflator (IPD)	× 4.429	× 4.478	× 4.583	× 4.738	
Winton Act base-year costs adjusted by the IPD	(10,191)	(10,304)	(10,545)	(10,902)	\$ (41,942)
Less reported Winton Act base-year costs	-	-	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	(10,191)	(10,304)	(10,545)	(10,902)	(41,942)
Related indirect cost adjustment	(575)	(590)	(616)	(803)	(2,584)
Review adjustment	\$ (10,766)	\$ (10,894)	\$ (11,161)	\$ (11,705)	\$ (44,526)

The parameters and guidelines (Section H – Supporting Data for Claims – Report Format for Submission of Claim) state:

- a. For component activities G1, G2, and G3:
 - 1. Determination of the “increased costs” for each of these three components requires the costs of current year Rodda Act activities to be offset [reduced] by the cost of the base-year Winton Act activities. The Winton Act base-year is generally fiscal year 1974-75.

Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs for these three components. The Implicit Price Deflator shall be listed in the annual claiming instructions of the State Controller.

The Winton Act base-year costs were obtained from the FY 1995-96 claim the district submitted to the SCO’s Division of Accounting and Reporting. The implicit price deflator (IPD) is reported in the SCO’s annual claiming instructions.

Recommendation

We recommend that the district ensure that all Winton Act base-year costs are adjusted by the IPD, as listed in the SCO’s annual claiming instructions, and are properly offset against the district’s current-year Rodda Act direct costs claimed.

**FINDING 2—
Unclaimed indirect costs
on contract services**

The district did not claim indirect costs on contract services for FY 2008-09 and FY 2009-10, resulting in an understatement of \$2,469. We determined allowable indirect costs by multiplying allowable contract services by the indirect cost rates claimed by the district. The claimed indirect cost rates agreed to the rates approved by the California Department of Education (CDE).

The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates apply to total direct costs (salaries and benefits, materials and supplies, and contract services). The error occurred because the district followed the claiming instructions identified on Form 1 for the Collective Bargaining Program that inadvertently excluded contract services from the calculation of indirect costs. The Collective Bargaining Program claiming instructions have since been corrected.

The following table summarizes the calculation of unclaimed indirect costs on contract services by fiscal year:

	Fiscal Year		Total
	2008-09	2009-10	
Allowable contract services	\$ 15,997	\$ 27,324	
Claimed indirect cost rate	5.64%	5.73%	
Review adjustment	\$ 903	\$ 1,566	\$ 2,469

Recommendation

We recommend that the district follow the updated guidance in the claiming instructions for calculating indirect costs on contract services.